## Income Tax - Gross Conservation Easement Income Tax Credit - Sale By or To a Fiscal Year Taxpayer

What restrictions apply when a taxpayer transfers a gross conservation easement credit to another taxpayer who uses a different tax year?

There are two issues that must be addressed when a fiscal year filer is involved in the transfer of a gross conservation easement credit.

- The credit must be claimed by the transferee during the tax year in which the transferee purchases the credit (plus 3 1/2 months if elected). The tax year of the transferor is irrelevant as to when the purchased credit is claimed. However, the donation of the conservation easement must occur prior to the end of the transferee's tax year.
- In order for the transferor of a credit to claim a new credit on a subsequent easement donation, the original credit that has been sold must be fully utilized prior to the start of the tax year in which the donation is made. Therefore, if the transferor of the credit plans on making another easement donation, they must know the tax year in which the credit will be claimed by the transferee.

Example: A calendar year taxpayer sells the credit on December 31, 2005 to a fiscal year taxpayer using a year end of June 30. The credit must be claimed on the June 30, 2006 tax return of the purchaser. The seller of the credit will not be eligible to claim another credit on a new donation until 2007 because the credit is being utilized by the transferee to offset taxes for six months of 2006. [§39-22-522(6), C.R.S.]